

Approved: 2/7/2001

PENINSULA REVOLVING LOAN FUND

PROGRAM GUIDELINES

Peninsula Industrial Finance Corporation

I. LOAN CONDITIONS

In making loans, the PIFC Directors shall apply the following conditions:

A. General

- 1) Financial assistance may not be extended if total financing is otherwise available from private lenders or other agencies on terms, which, in the opinion of the PIFC Directors, will permit the accomplishment of the project; however, applicants are encouraged to maximize the participation of private sources for project financing.
- 2) There must be reasonable assurance of repayment of the loan, giving full consideration to special impacts of the objectives of the Program.
- 3) Security shall be required as is determined necessary by the PIFC Directors.
- 4) PIFC Directors will normally require personal guarantees of the borrower(s) and/or principal(s), as may be necessary to properly secure the loan.
- 5) The Applicant will be required to comply with the PIFC/EDA reporting requirements.
- 6) Barring exceptional circumstances, the minimum loan amount will be \$20,000 and the maximum will be \$150,000.

B. Loan Terms

- 1) The term of a fixed asset loan shall ordinarily not be greater than the weighted average useful life of the fixed asset(s) of the project; however, in no case may a fixed asset loan be made for a term of more than ten years.
- 2) The term of a full working capital loan or a loan where a majority of the proceeds are used for working capital shall not exceed four years.
- 3) The provision of loan funds should leverage private investment. Generally, at least two dollars of private funds (equity or loans from private lenders) will be required for each dollar of loan funds. In some cases, at the discretion of the PIFC Directors, this leverage ratio can be adjusted. However, the maximum loan-to-project cost shall never exceed 75% and, generally, no more than 40% of the loan shall be used for working capital.

- 4) Project funding is expected to result in job creation or job retention, with the goal of one job created for each \$10,000 of revolving loan fund investment. In some cases, the PIFC Directors will have flexibility to modify this expectation if the project warrants such.
- 5) The interest rate will be established by the PIFC Directors based on a maximum of four (4) points below the Prime Rate as reflected in the Wall Street Journal. In no event, however, shall the rate be less than 4%. The maximum interest rate shall not exceed 10%.

II. LOAN REQUIREMENTS

Prior to disbursement of funds, the Loan Fund Administrator will require the Borrower to provide assurances as detailed in the Plan and that:

1. The proposed project(s) is located within the City of Newport News or Hampton.
2. No Revolving Loan Fund proceeds will be used to assist a business to relocate from one labor area to another.
3. Uses of Revolving Loan Funds will be consistent with the economic development plan for the area.
4. The project will provide more than a temporary alleviation of unemployment or underemployment within the area of project impact.
5. Projects involving construction or renovation shall be in compliance with state, local, and federal codes and regulation, to include the Davis-Bacon Act.

III. ELIGIBLE COSTS

1. Land and associated costs necessary to its acquisition and preparation.
2. Building and associated costs necessary to acquire, construct and/or rehabilitate.
3. Equipment and associated costs necessary for the acquisition and installation of machinery and equipment.
4. Other costs contributing to the value of project's fixed assets, such as sales and use taxes and interest on interim construction financing.
5. Adequate and appropriate contingency reserve.

6. Working capital (including inventory).
7. Infrastructure costs.
8. Reasonable relocation costs, except where prohibited by Loan Requirements (item 2, page 2).

IV. BORROWER INFORMATION – (the following will be required attachments to application)

- A. A general history and description of the applicant's business including: products; services; sales; markets; growth patterns; employment and projections for growth. A description of the proposed project including: land to be acquired; site improvements; construction; equipment, etc. All anticipated sources of funds to support the project.
- B. A general description of the project's impact on the community including:
 - 1) Impact of the project on physical, fiscal, economic, and environmental conditions of the locality in which the project is or will be located.
 - 2) Impact of the project on modest-income persons and minorities.
 - 3) Extent to which the project represents a special and unique economic opportunity.
- C. Other information:
 - 1) Financial information, where relevant, including:
 - a. Current acceptable financial statements, including balance sheets, and income statement with footnotes and supporting statements for the applicant's three most recent fiscal years and where applicable, consolidated financial statements and income statements, with footnotes, on any parent company for the three most recent fiscal years.
 - b. Most recent interim financial statements of the applicant and, where applicable, of its parent company, certified to by officers of the respective companies and maintained current during loan processing.
 - c. Last three years tax returns for business.

- d. Three-year projected pro-forma balance sheets, income statements cash flows and supporting statements. Cash flow analysis should be broken down on a monthly basis for a minimum of two years, or six months beyond the breakeven point, and should reflect the applicant's ability to repay debt service out of earnings.
 - e. Personal financial statements of principal owners and past three years personal tax returns.
- 2) Such nonfinancial information or supporting information as the Loan Administrator determines is necessary to substantiate the pro-forma projections, including, but not limited to:

Estimates, firm quotations, receipts, contracts, orders, invoices, leases, or equivalent documentation from architects, engineers, contractors, subcontractors, suppliers, lessors, or others involved in the sale, lease, or construction of fixed assets, if any, for applicant's project including schedules of implementation.

- 3) General information about management capabilities, including resumes of top management. Marketing and business plans that show an understanding of the structure, operations, management, and unique problems and trends of the business may be required.
- 4) Such additional back-up information as the Loan Fund Administrator may require regarding collateral such as appraisals and valuations of non-project assets and guarantees.

V. FEE STRUCTURE

- 1. Application Fee – a fee of \$100 will be paid by each applicant at the time of submission of the application to PIFC.
- 2. Origination Fee – a fee equal to 1% of the loan amount shall be charged at the time of the loan closing.

3. Legal Fee – fees for review and processing of the documents by PIFC counsel will be paid by the applicant. Applicants will be directed to contact PIFC counsel immediately upon receipt of documents to discuss fee structure and payment.
4. Schedule of Fee Payment – PIFC will endeavor to receive prompt payment of all fees due; however, in some cases fees could be placed into a scheduled payment program. In no event, however, will disbursement be made until all fees are paid.

VI. PUBLIC INFORMATION DISCLOSURE AND CIVIL RIGHTS ACT

- A. The borrower will be made aware that all information submitted to the Peninsula Industrial Finance Corporation may be made public upon loan approval since the PIFC lending program involves the use of public funds. A Disclosure Statement is included in each application and must be executed as part of the borrower's submission.
- B. The borrower must assure compliance with the Civil Rights Act of 1964 and Section 112 of Public Law 92-65, amending the Public Works and Economic Development Act of 1965. In addition, there shall be no discrimination in connection with services provided by a project involving construction of water, sewer, waste disposal, or like facilities.
- C. The borrower should also be aware that any and all information provided in connection with the application to PIFC for a loan through the revolving loan fund may be verified. The information that may be verified includes, but is not limited to the following: employment, pensions, mortgages, deposits, and any other income; personal or business loans; hazard insurance; and, further, any credit report that may be obtained.

VII. COMMERCIAL REHABILITATION PROPERTY TAX ABATEMENT

If the project involves substantial renovation of a building that is twenty-five years old or older, the applicant may be eligible for a Commercial Rehabilitation Property Tax Abatement. Applications for the related Commercial Rehabilitation Property Tax Abatement must be submitted to and approved by the city's Director of Planning and Development. Application forms are available from the city's Department of Planning and Development, or from the Department of Codes Compliance.